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(Original Signature of Member)

117TH CONGRESS
1ST SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to provide for rules for
the use of retirement funds in connection with federally declared disasters.

IN THE HOUSE OF REPRESENTATIVES

Mr. THOMPSON of California introduced the following bill; which was referred
to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to provide
for rules for the use of retirement funds in connection
with federally declared disasters.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SPECIAL RULES FOR USE OF RETIREMENT**
4 **FUNDS IN CONNECTION WITH QUALIFIED**
5 **FEDERALLY DECLARED DISASTERS.**

6 (a) TAX-FAVORED WITHDRAWALS FROM RETIRE-
7 MENT PLANS.—

1 (1) IN GENERAL.—Paragraph (2) of section
2 72(t) of the Internal Revenue Code of 1986 is
3 amended by adding at the end the following new
4 subparagraph:

5 “(I) DISTRIBUTIONS FROM RETIREMENT
6 PLANS IN CONNECTION WITH FEDERALLY DE-
7 CLARED DISASTERS.—Any qualified disaster re-
8 covery distribution.”.

9 (2) QUALIFIED DISASTER RECOVERY DISTRIBU-
10 TION.—Section 72(t) of such Code is amended by
11 adding at the end the following new paragraph:

12 “(11) QUALIFIED DISASTER RECOVERY DIS-
13 TRIBUTION.—For purposes of paragraph (2)(I)—

14 “(A) IN GENERAL.—Except as provided in
15 subparagraph (B), the term ‘qualified disaster
16 recovery distribution’ means any distribution
17 made—

18 “(i) on or after the first day of the in-
19 cident period of a qualified disaster and
20 before the date that is 180 days after the
21 applicable date with respect to such dis-
22 aster, and

23 “(ii) to an individual whose principal
24 place of abode at any time during the inci-
25 dent period of such qualified disaster is lo-

1 cated in the qualified disaster area with re-
2 spect to such qualified disaster and who
3 has sustained an economic loss by reason
4 of such qualified disaster.

5 “(B) AGGREGATE DOLLAR LIMITATION.—

6 “(i) IN GENERAL.—For purposes of
7 this subsection, the aggregate amount of
8 distributions received by an individual
9 which may be treated as qualified disaster
10 recovery distributions with respect to any
11 qualified disaster shall not exceed the ex-
12 cess (if any) of—

13 “(I) \$100,000, over

14 “(II) the sum of aggregate
15 amounts treated as qualified disaster
16 recovery distributions with respect to
17 such qualified disaster received by
18 such individual.

19 “(ii) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual
20 would (without regard to clause (i)) be a
21 qualified disaster recovery distribution, a
22 plan shall not be treated as violating any
23 requirement of this title merely because
24 the plan treats such distribution as a
25

1 qualified disaster recovery distribution, un-
2 less the aggregate amount of such distribu-
3 tions from all plans maintained by the em-
4 ployer (and any member of any controlled
5 group which includes the employer) to such
6 individual exceeds \$100,000 with respect
7 to the same qualified disaster.

8 “(iii) CONTROLLED GROUP.—For pur-
9 poses of clause (ii), the term ‘controlled
10 group’ means any group treated as a single
11 employer under subsection (b), (c), (m), or
12 (o) of section 414.

13 “(iv) SPECIAL RULE FOR INDIVIDUALS
14 AFFECTED BY MORE THAN ONE DIS-
15 ASTER.—The limitation of clause (i) shall
16 be applied separately with respect to dis-
17 tributions made with respect to each quali-
18 fied disaster.

19 “(C) AMOUNT DISTRIBUTED MAY BE RE-
20 PAID.—

21 “(i) IN GENERAL.—Any individual
22 who receives a qualified disaster recovery
23 distribution may, at any time during the 3-
24 year period beginning on the day after the
25 date on which such distribution was re-

1 ceived, make one or more contributions in
2 an aggregate amount not to exceed the
3 amount of such distribution to an eligible
4 retirement plan of which such individual is
5 a beneficiary and to which a rollover con-
6 tribution of such distribution could be
7 made under section 402(c), 403(a)(4),
8 403(b)(8), 408(d)(3), or 457(e)(16), as the
9 case may be.

10 “(ii) TREATMENT OF REPAYMENTS OF
11 DISTRIBUTIONS FROM ELIGIBLE RETIRE-
12 MENT PLANS OTHER THAN IRAS.—For
13 purposes of this title, if a contribution is
14 made pursuant to clause (i) with respect to
15 a qualified disaster recovery distribution
16 from a plan other than an individual re-
17 tirement plan, then the taxpayer shall, to
18 the extent of the amount of the contribu-
19 tion, be treated as having received the
20 qualified disaster recovery distribution in
21 an eligible rollover distribution (as defined
22 in section 402(c)(4)) and as having trans-
23 ferred the amount to the eligible retire-
24 ment plan in a direct trustee to trustee
25 transfer within 60 days of the distribution.

1 “(iii) TREATMENT OF REPAYMENTS
2 FOR DISTRIBUTIONS FROM IRAS.—For
3 purposes of this title, if a contribution is
4 made pursuant to clause (i) with respect to
5 a qualified disaster recovery distribution
6 from an individual retirement plan, then,
7 to the extent of the amount of the con-
8 tribution, the qualified disaster recovery
9 distribution shall be treated as a distribu-
10 tion described in section 408(d)(3) and as
11 having been transferred to the eligible re-
12 tirement plan in a direct trustee to trustee
13 transfer within 60 days of the distribution.

14 “(D) INCOME INCLUSION SPREAD OVER 3-
15 YEAR PERIOD.—

16 “(i) IN GENERAL.—In the case of any
17 qualified disaster recovery distribution, un-
18 less the taxpayer elects not to have this
19 subparagraph apply for any taxable year,
20 any amount required to be included in
21 gross income for such taxable year shall be
22 so included ratably over the 3-taxable year
23 period beginning with such taxable year.

24 “(ii) SPECIAL RULE.—For purposes of
25 clause (i), rules similar to the rules of sub-

1 paragraph (E) of section 408A(d)(3) shall
2 apply.

3 “(E) QUALIFIED DISASTER.—For purposes
4 of this paragraph and paragraph (8), the term
5 ‘qualified disaster’ means any disaster with re-
6 spect to which a major disaster has been de-
7 clared by the President under section 401 of
8 the Robert T. Stafford Disaster Relief and
9 Emergency Assistance Act after December 31,
10 2020.

11 “(F) OTHER DEFINITIONS.—For purposes
12 of this paragraph and paragraph (8)—

13 “(i) QUALIFIED DISASTER AREA.—

14 “(I) IN GENERAL.—The term
15 ‘qualified disaster area’ means, with
16 respect to any qualified disaster, the
17 area with respect to which the major
18 disaster was declared under the Rob-
19 ert T. Stafford Disaster Relief and
20 Emergency Assistance Act.

21 “(II) EXCEPTIONS.—Such term
22 shall not include any area which is a
23 qualified disaster area solely by reason
24 of section 301 of the Taxpayer Cer-

1 tainty and Disaster Tax Relief Act of
2 2020.

3 “(ii) INCIDENT PERIOD.—The term
4 ‘incident period’ means, with respect to
5 any qualified disaster, the period specified
6 by the Federal Emergency Management
7 Agency as the period during which such
8 disaster occurred.

9 “(iii) APPLICABLE DATE.—The term
10 ‘applicable date’ means the latest of—

11 “(I) the date of the enactment of
12 this paragraph,

13 “(II) the first day of the incident
14 period with respect to the qualified
15 disaster, or

16 “(III) the date of the disaster
17 declaration with respect to the quali-
18 fied disaster.

19 “(iv) ELIGIBLE RETIREMENT PLAN.—
20 The term ‘eligible retirement plan’ shall
21 have the meaning given such term by sec-
22 tion 402(c)(8)(B).

23 “(G) SPECIAL RULES.—

24 “(i) EXEMPTION OF DISTRIBUTIONS
25 FROM TRUSTEE TO TRUSTEE TRANSFER

1 AND WITHHOLDING RULES.—For purposes
2 of sections 401(a)(31), 402(f), and 3405,
3 qualified disaster recovery distributions
4 shall not be treated as eligible rollover dis-
5 tributions.

6 “(ii) QUALIFIED DISASTER RECOVERY
7 DISTRIBUTIONS TREATED AS MEETING
8 PLAN DISTRIBUTION REQUIREMENTS.—
9 For purposes this title, a qualified disaster
10 recovery distribution shall be treated as
11 meeting the requirements of sections
12 401(k)(2)(B)(i), 403(b)(7)(A)(ii),
13 403(b)(11), and 457(d)(1)(A).”.

14 (3) EFFECTIVE DATE.—The amendments made
15 by this subsection shall apply to distributions with
16 respect to disasters the incident beginning date (as
17 defined in section 72(t)(11)(F)(i) of the Internal
18 Revenue Code of 1986, as added by this subsection)
19 for which is after December 27, 2020.

20 (b) RECONTRIBUTIONS OF WITHDRAWALS FOR
21 HOME PURCHASES.—

22 (1) INDIVIDUAL RETIREMENT PLANS.—Para-
23 graph (8) of section 72(t) of the Internal Revenue
24 Code of 1986 is amended by adding at the end the
25 following new subparagraph:

1 “(F) RECONTRIBUTIONS.—

2 “(i) GENERAL RULE.—

3 “(I) IN GENERAL.—Any indi-
4 vidual who received a qualified dis-
5 tribution may, during the applicable
6 period, make one or more contribu-
7 tions in an aggregate amount not to
8 exceed the amount of such qualified
9 distribution to an eligible retirement
10 plan (as defined in section
11 402(c)(8)(B)) of which such indi-
12 vidual is a beneficiary and to which a
13 rollover contribution of such distribu-
14 tion could be made under section
15 402(c), 403(a)(4), 403(b)(8), or
16 408(d)(3), as the case may be.

17 “(II) TREATMENT OF REPAY-
18 MENTS.—Rules similar to the rules of
19 clauses (ii) and (iii) of paragraph
20 (11)(C) shall apply for purposes of
21 this subsection.

22 “(ii) QUALIFIED DISTRIBUTION.—For
23 purposes of this subparagraph, the term
24 ‘qualified distribution’ means any distribu-
25 tion—

1 “(I) which is a qualified first-
2 time homebuyer distribution,

3 “(II) which was to be used to
4 purchase or construct a principal resi-
5 dence in a qualified disaster area, but
6 which was not so used on account of
7 the qualified disaster with respect to
8 such area, and

9 “(III) which was received during
10 the period beginning on the date
11 which is 180 days before the first day
12 of the incident period of such qualified
13 disaster and ending on the date which
14 is 30 days after the last day of such
15 incident period.

16 “(iii) APPLICABLE PERIOD.—For pur-
17 poses of this subparagraph, the term ‘ap-
18 plicable period’ means, in the case of a
19 principal residence in a qualified disaster
20 area with respect to any qualified disaster,
21 the period beginning on the first day of the
22 incident period of such qualified disaster
23 and ending on the date which is 180 days
24 after the applicable date with respect to
25 such disaster.”.

1 (2) QUALIFIED PLANS.—Subsection (c) of sec-
2 tion 402 of the Internal Revenue Code of 1986 is
3 amended by adding at the end the following new
4 paragraph:

5 “(12) RECONTRIBUTIONS OF WITHDRAWALS
6 FOR HOME PURCHASES.—

7 “(A) GENERAL RULE.—

8 “(i) IN GENERAL.—Any individual
9 who received a qualified distribution may,
10 during the applicable period, make one or
11 more contributions in an aggregate amount
12 not to exceed the amount of such qualified
13 distribution to an eligible retirement plan
14 (as defined in paragraph (8)(B)) of which
15 such individual is a beneficiary and to
16 which a rollover contribution of such dis-
17 tribution could be made under subsection
18 (c) or section 403(a)(4), 403(b)(8), or
19 408(d)(3), as the case may be.

20 “(ii) TREATMENT OF REPAYMENTS.—
21 Rules similar to the rules of clauses (ii)
22 and (iii) of section 72(t)(11)(C) shall apply
23 for purposes of this subsection.

1 “(B) QUALIFIED DISTRIBUTION.—For
2 purposes of this paragraph, the term ‘qualified
3 distribution’ means any distribution—

4 “(i) described in section
5 401(k)(2)(B)(i)(IV), 403(b)(7)(A)(ii) (but
6 only to the extent such distribution relates
7 to financial hardship), or 403(b)(11)(B),

8 “(ii) which was to be used to purchase
9 or construct a principal residence in a
10 qualified disaster area, but which was not
11 so used on account of the qualified disaster
12 with respect to such area, and

13 “(iii) which was received during the
14 period beginning on the date which is 180
15 days before the first day of the incident pe-
16 riod of such qualified disaster and ending
17 on the date which is 30 days after the last
18 day of such incident period.

19 “(C) DEFINITIONS.—For purposes of this
20 paragraph—

21 “(i) the terms ‘qualified disaster’,
22 ‘qualified disaster area’, and ‘incident pe-
23 riod’ have the meaning given such terms
24 under section 72(t)(11), and

1 “(ii) the term ‘applicable period’ has
2 the meaning given such term under section
3 72(t)(8)(F).”.

4 (3) EFFECTIVE DATE.—The amendments made
5 by this subsection shall apply to distributions with
6 respect to disasters the incident beginning date (as
7 defined in section 72(t)(11)(F)(i) of the Internal
8 Revenue Code of 1986, as added by subsection (a))
9 for which is after December 27, 2020.

10 (c) LOANS FROM QUALIFIED PLANS.—

11 (1) IN GENERAL.—Subsection (p) of section 72
12 of the Internal Revenue Code of 1986 is amended by
13 adding at the end the following new paragraph:

14 “(6) INCREASE IN LIMIT ON LOANS NOT TREAT-
15 ED AS DISTRIBUTIONS.—

16 “(A) IN GENERAL.—In the case of any
17 loan from a qualified employer plan to a quali-
18 fied individual made during the applicable pe-
19 riod—

20 “(i) clause (i) of paragraph (2)(A)
21 shall be applied by substituting ‘\$100,000’
22 for ‘\$50,000’, and

23 “(ii) clause (ii) of such paragraph
24 shall be applied by substituting ‘the
25 present value of the nonforfeitable accrued

1 benefit of the employee under the plan’ for
2 ‘one-half of the present value of the non-
3 forfeitable accrued benefit of the employee
4 under the plan’.

5 “(B) DELAY OF REPAYMENT.—In the case
6 of a qualified individual (with respect to any
7 qualified disaster) with an outstanding loan on
8 or after the applicable disaster date from a
9 qualified employer plan—

10 “(i) if the due date pursuant to sub-
11 paragraph (B) or (C) of paragraph (2) for
12 any repayment with respect to such loan
13 occurs during the period beginning on the
14 first day of the incident period of such
15 qualified disaster and ending on the date
16 which is 180 days after the last day of
17 such incident period, such due date may be
18 delayed for 1 year,

19 “(ii) any subsequent repayments with
20 respect to any such loan may be appro-
21 priately adjusted to reflect the delay in the
22 due date under clause (i) and any interest
23 accruing during such delay, and

24 “(iii) in determining the 5-year period
25 and the term of a loan under subpara-

1 graph (B) or (C) of paragraph (2), the pe-
2 riod described in clause (i) may be dis-
3 regarded.

4 “(C) DEFINITIONS.—For purposes of this
5 paragraph—

6 “(i) QUALIFIED INDIVIDUAL.—The
7 term ‘qualified individual’ means any indi-
8 vidual—

9 “(I) whose principal place of
10 abode at any time during the incident
11 period of any qualified disaster is lo-
12 cated in the qualified disaster area
13 with respect to such qualified disaster,
14 and

15 “(II) who has sustained an eco-
16 nomic loss by reason of such qualified
17 disaster.

18 “(ii) APPLICABLE PERIOD.—The ap-
19 plicable period with respect to any disaster
20 is the period—

21 “(I) beginning on the applicable
22 date with respect to such disaster, and

23 “(II) ending on the date that is
24 180 days after such applicable date.

1 “(iii) OTHER TERMS.—For purposes
2 of this paragraph—

3 “(I) the terms ‘applicable date’,
4 ‘qualified disaster’, ‘qualified disaster
5 area’, and ‘incident period’ have the
6 meaning given such terms under sub-
7 section (t)(11), and

8 “(II) the term ‘applicable period’
9 has the meaning given such term
10 under subsection (t)(8).”.

11 (2) HOLD HARMLESS.—

12 (A) IN GENERAL.—A person shall not be
13 treated as having violated the provisions of title
14 I of the Employee Retirement Income Security
15 Act of 1974 solely because—

16 (i) the person made a plan loan to a
17 qualified individual (as defined in section
18 72(p)(6) of the Internal Revenue Code of
19 1986, as added by paragraph (1)) during
20 the applicable period (as defined in such
21 section 72(p)(6)) in compliance with sec-
22 tion 72(p)(6) of such Code; or

23 (ii) a qualified individual (as so de-
24 fined) delayed making a plan loan repay-

1 ment in compliance with section 72(p)(6)
2 of such Code.

3 (B) PROHIBITED TRANSACTIONS.—A per-
4 son shall be treated as being exempt from the
5 requirements of section 406 of the Employee
6 Retirement Income Security Act of 1974 pursu-
7 ant to subparagraphs (A) and (E) of section
8 408(b)(1) of such Act if the person meets the
9 requirements of clause (i) or (ii) of subpara-
10 graph (A).

11 (3) EFFECTIVE DATE.—The amendment made
12 by paragraph (1) shall apply to loans made with re-
13 spect to disasters the incident beginning date (as de-
14 fined in section 72(t)(11)(F)(i) of the Internal Rev-
15 enue Code of 1986, as added by subsection (a)) for
16 which is after December 27, 2020.

17 (d) PROVISIONS RELATING TO PLAN AMEND-
18 MENTS.—

19 (1) IN GENERAL.—If this subsection applies to
20 any amendment to any plan or annuity contract,
21 such plan or contract shall be treated as being oper-
22 ated in accordance with the terms of the plan during
23 the period described in paragraph (2)(B)(i).

24 (2) AMENDMENTS TO WHICH SUBSECTION AP-
25 PLIES.—

1 (A) IN GENERAL.—This subsection shall
2 apply to any amendment to any plan or annuity
3 contract which is made—

4 (i) pursuant to any amendment made
5 by this section, or pursuant to any regula-
6 tion issued by the Secretary or the Sec-
7 retary of Labor under any amendment
8 made by this section, and

9 (ii) on or before the last day of the
10 second calendar year beginning after the
11 date of the enactment of this Act, or such
12 later date as the Secretary may prescribe.

13 In the case of a governmental plan (as defined
14 in section 414(d)), clause (ii) shall be applied
15 by substituting the date which is 2 years after
16 the date otherwise applied under clause (ii).

17 (B) CONDITIONS.—This subsection shall
18 not apply to any amendment unless—

19 (i) during the period—

20 (I) beginning on the date that
21 the amendments made by this section,
22 or any regulation described in sub-
23 paragraph (A)(i), take effect (or in
24 the case of a plan or contract amend-
25 ment not required by amendments

1 made by this section or such regula-
2 tion, the effective date specified by the
3 plan), and
4 (II) ending on the date described
5 in subparagraph (A)(ii) (or, if earlier,
6 the date the plan or contract amend-
7 ment is adopted),
8 the plan or contract is operated as if such plan
9 or contract amendment were in effect; and
10 (ii) such plan or contract amendment
11 applies retroactively for such period.